

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Guatemala

EXPORTER GUIDE ANNUAL

Annual

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Report Highlights:

Guatemala has Central America's largest economy, accounting for almost one-third of the region's gross domestic product. In 2008, Guatemala's gross domestic product (GDP), was estimated at US\$38.9 billion. This year, Guatemala's GDP is estimated to grow by 0.4 percent. Agriculture continues to play a major role in economic growth directly contributing to 13.3 percent of total GDP.

Post:

Guatemala

Author Defined:

I MARKET OVERVIEW

A. Current Economic Situation

Guatemala has Central America's largest economy, accounting for almost one-third of the region's gross domestic product (GDP). In 2008, according to the Central Bank (BANGUAT), Guatemala's GDP, was estimated at US\$38.9 billion a 4.0 increase from previous year. The inflation rate reached 9.4 percent. For 2009, Guatemala's GDP is expected to grow 1-2 percent and the inflation rate is forecast at 4.5 a 6.5 percent. Agriculture is the principal contributor to the production of goods, although wholesale and retail sales are the largest single sector in GDP calculations.

According to the World Bank, Guatemala has one of the most unequal income distributions in the Western Hemisphere. Per capita income was roughly US\$2,845 in 2008, but income distribution is highly skewed. The wealthiest 10 percent of the population receives almost one-half of all income and the top 20 percent receives two-thirds of all income. As a result, about 32 percent of the population lives on less than US\$2 a day and 13.5 percent on less than US\$1 a day. The exchange rate has fluctuated significantly over the last twelve months and presently it is US\$1.00 per Q8.36 (Q=quetzal).

Guatemala's economy is dominated by the private sector, which generates about 85 percent of total GDP. Agriculture contributes directly 13.3 percent of the GDP and accounts for 41 percent of total exports. Most manufacturing is light assembly and food processing, geared to the domestic, U.S., and Central American markets.

Guatemala ratified the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) on March 10, 2005 and the agreement entered into force on July 1, 2006. CAFTA-DR has had a positive effect on bilateral trade and it is expected to add between 0.5 to 0.6 percentage points per year to Guatemala's GDP. Besides CAFTA-DR, Guatemala has a free trade agreement with Mexico, the Dominican Republic, Taiwan, Colombia and Chile. In addition, it has partial free trade agreements with Cuba, Panama, and Venezuela, and is negotiating one with Belize and Canada.

U.S. agricultural exports to Guatemala have continued to grow during the last few years.

- Total U.S. agricultural exports totaled US\$844 million in 2008.
- Bulk commodities grew from US\$153 million in 2004 to US\$399 million in 2008.

- Intermediate agricultural products grew from US\$103 million in 2004 to US\$250 million in 2008.
- Consumer-oriented products increased from US\$126 in 2004 to US\$184 million in 2008.
- Seafood products increased from US\$3.4 million in 2004 to US\$4.1 million in 2008.

For 2009 – U.S. agricultural exports to Guatemala (first 8 months: January-August):

- Total U.S. agricultural exports US\$469 million.
- Bulk commodities exports US\$203.5 million.
- Intermediate agricultural exports US\$146.7 million.
- Consumer-oriented exports US\$113.6 million.
- Seafood exports US\$1.9 million.

It is important for U.S. firms considering exporting to Guatemala to understand that the market conditions are strongly affected by income distribution and there is a major difference between the interior of the country (with the exception of the tourist areas such as Antigua Guatemala, Panajachel and Puerto Barrios) and Guatemala City.

B. Demographics and Income Distribution

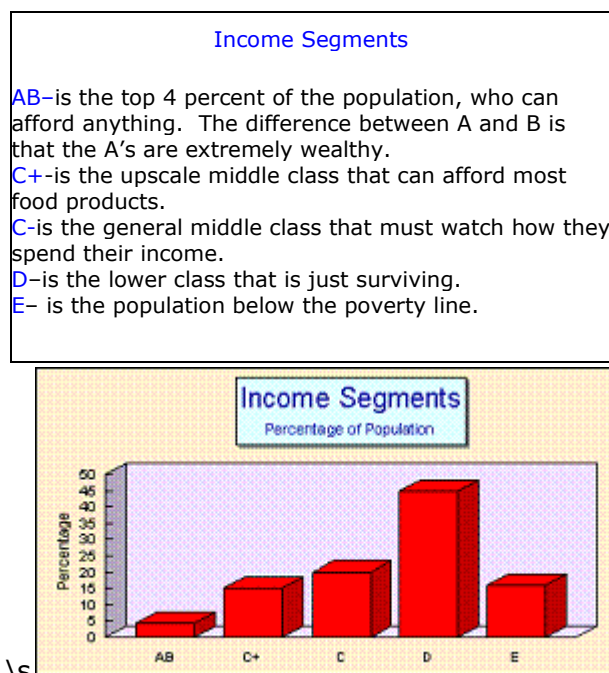
Guatemala's population is estimated at 13.8 million. The breakdown of the population follows the pattern of an underdeveloped country, 53.9 percent of Guatemalans live in the rural areas and the 46.1 percent live in the urban areas. Approximately 41 percent of the population is less than 15 years of age; 53 percent of the population is between 15-64 years of age and only 6 percent is over 65 years of age. Internal migration towards Guatemala City has been constant over the last decades. The population of Guatemala City with its surrounding seven cities totals four million inhabitants. The difference in population density between Guatemala City and the rest of the country is highly significant because it has determined the dynamics of economic and social growth of the nation. The department of Guatemala has a density of 1,212.9 inhabitants per square kilometer. The second densest department, Sacatepequez, has only 557.6 inhabitants per square kilometer. The rest of the departments are below 350 inhabitants per square kilometer. Within this framework, it is easy to understand why most economic activity in the country revolves around the metropolitan area. Guatemala City and its surrounding areas offer the biggest concentrated market in the country with an accessible infrastructure.

Income is concentrated in the upper classes, with 63 percent of income in the hands of the top 20 percent of the population. The skewed income distribution determines a particular pattern of consumption, while the majority of the population consumes merely for subsistence. Therefore, luxury goods can only be targeted to a significant but small portion of society.

However, U.S. food products are very competitively priced and are sought out by both high-income and middle-income consumers. Many U.S. food products such as grains, poultry (chicken leg quarters), dairy and pork are cheaper than domestically produced products.

Percentage of income allocated to food purchases:

- § Rural 46.9 percent
- § Urban 31.6 percent
- § Interior of the country 37.1 percent
- § Metropolitan area 28.2 percent
- § Per Capita income in Guatemala City is 265 percent above the interior of the country



C. Market Size

Guatemala in 2008:

- Total food expenditures were more than US\$3 billion.
- Total consumer-oriented and edible fisheries expenditures were estimated at US\$542 million.
- Total agricultural, fishery and forestry imports were US\$2 billion.
- U.S. share of total agricultural, fishery and forestry imports was 46.6 percent.

- U.S. total consumer-oriented imports were US\$190 million
- U.S. share of consumer-oriented imports was 23 percent. The biggest competitors for the U.S. are El Salvador, Costa Rica and Mexico.

Guatemala's economy is the largest in Central America with a GDP of over \$38.9 billion.

D. Advantages and Challenges in the Market

Advantages	Challenges
Guatemala is a trustworthy partner of the U.S. on trade issues	The economic condition of the country limits imports.
There exists a low cost transportation of goods thanks to the proximity with the U.S. ports.	Weakness to build confidence and improve the business climate in Guatemala.
In Guatemala, there are around 3,600 formal restaurants and 1,225 hotels which demand quality products. This creates an opportunity for new imported goods.	The tourism sector in Guatemala is large but security is a concern and the local authorities still need to improve their security programs.
Importers are eager to take full advantage of CAFTA-DR and favor trading with U.S. exporters.	Free Trade Agreements (FTA's) exist with various countries, including potentially one with the European Union (EU). These FTA's force the U.S. to be more competitive.
The growing food processing industry is looking for new and better food ingredients for bakery, deli meats, beverages and snacks.	There is limited infrastructure and distribution, especially for perishable products.
CAFTA-DR gives an opportunity to U.S. companies to introduce new products into the Guatemalan market.	Regional competition is strong, especially from Canada, Colombia, Mexico, El Salvador and Chile.
The Guatemalan Government (GOG) maintains an open trading policy.	Lack of a civil service career within the GOG, compliance with international standards, makes regulatory structures fragile and problematic.
Guatemala is unable to meet domestic demand for cereals (corn, rice) and meats.	There is a deficient cold chain infrastructure.

II. EXPORTER'S BUSINESS TIPS

A. Business Customs

The Guatemalan Government (GOG) welcomes foreign investment and generally few legal or regulatory restrictions are placed for foreign investors. Guatemala represents a growing market for U.S. companies and is a country with relative stability, has a strategic geographic access to the region on both the Atlantic and Pacific Oceans and is also very close to the United States. With the implementation of CAFTA-DR, one of the major benefits for U.S.

exporters have been the legal changes that improve Guatemala's transparency in customs dealings, anti-corruption measures in government contracting and procurement, and legal protection for U.S. investors.

Most business conducted in Guatemala is based on personal relationships. Business executives and government officials place great importance on personal contacts with suppliers. U.S. suppliers should be prepared to have a local representative or distributor and be prepared to travel to Guatemala. U.S. businesspersons often are surprised at the accessibility to key decision-makers and the openness and frankness of local buyers.

Sales, service and support rank high in the minds of Guatemalan buyers. U.S. firms, more than other foreign firms, generally have a reputation for providing good service and support. U.S. firms interested in penetrating the Guatemalan market should make a commitment to offer excellent service support to their buyers, agents or distributors. This commitment should be made clear. Poor or mediocre service often results in lower sales. The Guatemalan business community is comparatively small and word travels fast about local and foreign firms that offer poor service support.

B. Consumer Taste

Culturally speaking, Guatemalans have adopted much of the U.S. culture such as music, sports, fashion and fast food. Through the remittances sent by the 500,000 Guatemalans leaving in the United States, the local food consumption trend is changing and more high-value foods are affordable to them, and consumers are getting more accustomed to U.S. products. Many Guatemalans have traveled to the U.S. and have been introduced to American food products. U.S. products are viewed by consumers as higher quality and are preferred to other imports. Approximately 67.3 percent of all Guatemalan imports of agriculture, fish and forestry products come from the U.S. Guatemalans have also followed the trend in the U.S. towards more natural and healthy products and consumers are demanding food with less sugar, saturated fat and cholesterol. Convenience products have more demand and there is a niche market for refrigerated, ready-to-eat products. The local processing industry is taking advantage of this trend and is developing and increasing the production of these types of products such as tacos, tortillas, burritos, corn-based tamales and instant soups, etc. which are among the preferred foods in the supermarkets not only for being easy to cook/heat but also because of price wise.

C. Food Standards & Regulations

1. Import Procedures and Product Registration

The first step to import food products in Guatemala is to register a product. Any producer,

processor, packer, or distributor needs to operate under a sanitary license issued by Food Control. Importers need to be legally registered and imported products need to be registered as well. Product registration is required for all packaged food products in Guatemala.

Food Control in the Ministry of Public Health is responsible for all registrations. Regulations and registration procedures and requirements can be consulted on-line at:

<http://www.mspas.gob.gt/DGRVCS/DRCA/Iniciar.htm>.

The requirements to register food products are as follows:

1. Application for registration of food products
2. Certificate of free sale
3. Receipt of payment for laboratory analysis Q1,650 approximately US\$200.00
4. Provide the applicable amount of samples
5. Provide example of label design as it will appear on the product
6. An authorized translator must translate all documents.
7. The importer or a Guatemalan legal representative of the exporter must do the registration.

There are a number of regulations for special food groups. Decree 66-83 regulates the commercialization of substitutes for maternal milk. Beer, wine and other liquors do not need a registration number. Products labeled as "diet" must be registered as medicinal products. All products that apply for registration must be tested by the Food and Drug Testing Laboratory (LUCAM) which is the Ministry of Health's only laboratory. Product samples must be provided at time of registration. On their website, <http://www.mspas.gob.gt/DGRVCS/DRCA/Iniciar.htm> Food Control provides a list of the microbiological parameters tested for each product during registration and later on, during official site inspection.

For import permits for imported foods of animal or vegetable origin, importers must comply and present the following documents: a phytosanitary and/or sanitary certificate, certificate of origin, commercial invoice, free sale certificate, bill of lading, and a microbiological certificate for products of animal origin. The Unit of Norms and Regulations of the Ministry of Agriculture, Livestock and Food (MAGA) controls all of these requirements and issues the import permit. Import procedures are readily available on-line at: http://www.maga.gob.gt/maga_portal/.

Food Control issues a sanitary registration number after a laboratory test has been performed on high-risk products. This registration number is valid for five years and takes six weeks to obtain in the case of high-risk products such as meat, poultry, deli-meats, etc. In the case of non-risk products, it takes approximately 48 hours to obtain the registry number and laboratory tests will take place usually in routine surveillance, scheduled annually according to product category. If products do not comply with labeling standards or food safety

parameters, importers will be notified. Non-risk products do not require a phyto or sanitary certificate, nor do they require a microbiological certificate.

It is recommended that samples be sent prior to the exportation of high-risk products in order to obtain a sanitary registry number. Those samples must include the composition of the ingredients and the commercialization package, including proper labeling.

Government regulations require that any high-risk foods that will be sold at the wholesale and retail market must be inspected at the port of entry. This is in addition to the laboratory analysis. Natural foods, non-processed foods, raw materials and food additives do not require registration. Also, there is no environmental legislation that affects the importation of food products. The cost of registration and analysis of a product is about US\$200, independent of the risk category.

- The Sample Law

Outlined in Article 37 of Ministerial Decree 969-99, the sample law strictly prohibits the importation of samples except for the sole purpose of registering the product. However, an agreement has been reached with USDA in which samples will be allowed to enter the country without requiring previous registration for the purpose of exhibition, special events and promotion. In order to enter these samples, the importer must provide Food Control a written request accompanied by a certificate of free sale. The written request must provide information about the product (description and volume) and a declaration from the U.S. exporter that the products are samples and are not intended for sale purposes. For exhibition, special events and promotion, Food Control will allow the importation of 25-50 kg per product.

When a U.S. business person is traveling along with the samples, the traveler must present to the Custom's official at the airport an import permit previously stamped and signed by Food Control. The samples import permit should be requested in advance to Food Control. The cost of the permit is Q15.00 (less than US\$2) and is given to the local importer after presenting the written request. To avoid problems it is best not to bring more than 2 samples of 200 grams each, per product.

- Custom Clearance

The GOG introduced an automated electronic customs clearance system in 2001. This system has created increased transparency in this procedure. When the computer reads that the import product is of animal or plant origin, it automatically requires that the following documents accompany the entry application: bill of lading, phytosanitary or sanitary certificate, certificate of origin, free sale certificate, packing list, commercial invoice, microbiological certificate, and import permit. The FSIS export certificate is officially accepted

for importing meat and poultry products. All documents must be originals. Below is the procedure to acquire the import certificate and the order in which to proceed.

A. The procedure begins at the Ministry of Agriculture, Livestock and Food. All imported products of animal or vegetable origin are inspected by the "ventanilla unica" ("single window") operated by the Unit of Norms and Regulations. The documents required are: phytosanitary or sanitary certificate or FSIS export certificate (for meat & poultry products), commercial invoice, bill of lading, certificate of free sale, packing list, and certificate of origin (applied for re-export products). In most cases a microbiological certificate is also required. These may be copies, but in order to clear customs, the originals will be needed. An application form with the above mentioned forms must be submitted along with a fee of Q100 or about US\$12.00, in order to receive an import permit. It is best to drop off applications before 10:00 am if the shipment is perishable. The license will be ready for pick-up after 2:00 pm.

For all regular shipments; the license will be issued within 24 hours. This time frame usually holds if there are no problems with the documentation.

B. For processed foods and all products of animal origin, Norms and Regulations will require that the application be signed and stamped by Food Control. This is done to verify that the product has a Sanitary Registration number. In addition, Food Control will also require a Free Sale Certificate in order to process the request. These certificates are generally issued by state health or agricultural departments, and state that the products are free for human consumption. For non-processed foods, Ministry of Agriculture will require a Sanitary Certificate. The application and certificates are received and issued in the offices of Food Control (5a. Avenida 13-27, Zona 9, Guatemala City), office hours from 07:30 a.m. to 3:00 p.m. from Monday to Friday.

C. Food Control and Norms and Regulations will authorize the import permit and the product will be inspected by the Regional International Agricultural/Livestock Organization (OIRSA). This is a regional inspection entity in Central America that has been delegated the responsibility of quarantine measures by all the Central American countries. Whether the imported product comes by air, land or sea, inspectors from OIRSA will be on site to ensure that the paper work is in order.

Then, inspectors will perform a visual inspection of the imported products in order to authorize release from customs. In order to clear OIRSA, the original documents must be presented.

D. After the import certificate has been issued, this document is provided with all the above-mentioned documents to the Customs official. The importer then pays the duties to the

Superintendency of Tax Administration (SAT). The CAFTA-DR Certificate of Origin (http://dace.mineco.gob.gt/mineco/cafta/doctos_cafta/Certificado%20de%20Origen%20DR-CAFTA%20.pdf) must accompany the shipment. Duty payment is done in the form of a deposit at either of the two banks that are approved, and the deposit slip becomes the proof of payment. After all this has been done, the shipment will be released.

This final procedure is done at the port of entry. There is still a possibility of a red or green light at the exit gate of the container. If a red light is received, there will be an additional review of both documentation and contents of container. If a green light is received, the container is allowed to leave the yard. The clearing process is done electronically; however, at the final stage all the documentation needs to be handed over to the customs agent (in originals) so that the shipment is released.

It is important that all quantities in all of the documents match. If not, clearing Customs will be a major problem. Do not add boxes to a container once the documentation has been totaled, and always make sure that the total on the phytosanitary or sanitary certificate equals the exact amount on the invoice. If there is any discrepancy, the container will be held and clearance will be extremely difficult.

U.S. exporters must always take into account that a tariff-rate quota (TRQ) system still applies to various commodities, with a 5 to 20 year phase-out period under CAFTA-DR. Following is a table for the CAFTA-DR TRQs. If you wish to look out for a particular product, you can visit www.fas.usda.gov/info/factsheets/CAFTA/overall021105a.html

4. Labeling Regulation

The labeling requirements are described in the Labeling Standard #34039, set by the Norms & Regulations Committee (COGUANOR.) It sets 40 requirements with respect to the appearance of the label. Information should be written on the label in Spanish. However, importers negotiated with COGUANOR and reached an agreement for a stick-on label to be used with the following information written in Spanish:

1. Product definition/description

Name of the product (this should be the official name as noted on the U.S. Certificate of Free Sale)

Physical characteristics, including ingredients (this has to be a qualitative composition, which was shown on the back of the registration form). If this information is in English, it must be translated.

4. Net weight/volume

List of ingredients (including allergens) and additives and the percentage of total for each

6. Name, address and telephone number of Guatemalan distributor
Food Control registration number (D.G.S.S.-D.R.C.A. _____-Sanitary license obtained at a Center of Sanitation); the original license has to be presented. Approximate cost for each product: **Q.1,650.00** (around US\$200 at current exchange rate.)

- Country of origin
- Lot production ID
- Expiration date
- If applicable "Keep Frozen" or "Form of Preparation"

Prior to the first importation, Ministry of Agriculture officials will inspect the warehouse where the imported product is to be stored, at importer's expense. If product is to be used in a processing plant, an environmental impact study must be carried out. For additional information please refer to the FAIRS Report 2008 GT8012 at www.fas.usda.gov/scripts/attacherep/default.asp

D. Opportunities and Challenges after the Implementation of CAFTA-DR

Guatemala ratified the U.S.-Central America - Dominican Republic Free Trade Agreement (CAFTA-DR) on March 10, 2005, and the agreement entered into force on July 1, 2006. To date, CAFTA-DR has had a positive effect on bilateral trade, and it is expected to add between 0.6 and 1.0 percentage points per year to Guatemala's GDP. One of the major benefits for U.S. exporters are legal changes that improve Guatemala's transparency in customs dealings, anti-corruption measures in GOG contracting and procurement, and legal protection for U.S. investors.

The U.S. Census Bureau reported that in 2008 the U.S. agricultural products exported to Guatemala were US\$845 million representing a 23 percent increase from previous year. Products imported into Guatemala included: Bulk agricultural products US\$399.5 million (28 percent increase), such as: wheat (US\$158.4 million); coarse grains (US\$155.3 million); rice and pulses (US\$31.6 million). Intermediate agricultural products US\$250.3 million (22 percent increase) such as: soybean oil (US\$41.0 million); soybean meal (US\$98.5 million); feeds and fodders (US\$22.1 million); live animals (US\$4.2 million) and other intermediate products (US\$38.7). Consumer-oriented agricultural products US\$184.9 million (15 percent increase) such as: snack foods (US\$11.5 million); breakfast cereals and pancake mix (US\$4.2); red meats fresh/chilled/frozen (US\$18.8 million); red meats, prepared/preserved (US\$5.4 million); poultry meat (US\$59.5 million); processed fruits and vegetables (US\$22.4.)

Guatemalan agricultural exports to the U.S. increased from \$1.1 billion in 2007 to \$1.3 billion in 2008 a 22 percent increase and the highest level of all CAFTA-DR members. Guatemalan exports with major increases in value were: bulk agricultural products US\$515.1 million (32 percent increase) such as: rubber (US\$30.1 million); coffee (US\$369.5 million); sugar cane (US\$101.5). Intermediate agricultural products US\$91.3 million (47 percent increase) such

as: sugars, sweeteners and beverage bases (US\$79.2). Consumer-oriented agricultural products US\$706.0 million (15 percent increase) such as: bananas and plantains (US\$375.2 million); fresh vegetables (US\$40.0 million); processed fruit and vegetables (US\$90.6 million); and other consumer oriented products (US\$19.6 million.)

III. MARKET SECTORS

A. Retail Sector

The retail sector in Guatemala is dominated by three supermarket chains: Pricesmart, Wal-Mart (Paiz/La Fragua) and Unisuper (La Torre/Econosuper.) These supermarkets mainly target middle and high income customers; however, there are still ample opportunities in the retail sector, since only 40 percent of food sales are made through supermarkets. Supermarket sales are expected to continue to grow by at least 10 percent a year for the next few years. The rest of the consumers still rely on the open-air markets and the mom and pop stores. The open-air market is where local farmers sell their products, mostly fresh produce. They are similar to farmers' market in the United States. The mom and pop stores, also known as "tiendas de barrio", are small stores, on average 30 square feet in size, and carry an inventory worth approximately US\$500. Their major suppliers are distributors, wholesalers and importers, which also supply to supermarkets. However, they offer very few imported products.

Paiz/La Fragua is Guatemala's largest supermarket chain and in 2005, became part of Wal-Mart Central America Group. Wal-Mart acquired 33 1/3 percent interests in Central American Retail Holding Co (CARHCO) from the Dutch retailer Royal Ahold. In 2006, CARHCO was changed to Wal-Mart Central America and presently is the region's largest retailer, with 450 supermarkets and 28,000 associates in Central America. Wal-Mart Guatemala is the leader supermarket chain in the country accounting for more than 9,000 direct jobs and approximately 4,500 indirect jobs within their 145 sale units in five different stores: Paiz, Hiper Paiz, Despensa Familiar, ClubCo and Maxi Bodega.

In September 2001, the second and third largest supermarket chains in Guatemala merged, forming one company under the name of UNISUPER with 40 units under the names of La Torre (22) and Econosuper (18). Although, the organization is called UNISUPER, the stores kept their individual names for customers to keep in their minds that La Torre's stores cater to the more affluent sector, while Econosuper services the lower income customers. A review of the stores showed that imported products represent no more than 20% of La Torre's product mix, while Econosuper has fewer than 5 percent of imported products.

In 2008, UNISUPER, became a member of Supermercados de Centroamérica y Panamá –

SUCAP (Panama and Central America Supermarkets.) SUCAP incorporates 16 different supermarket chains in Central America (approximately 279 stores), small, medium and large stores that are present not only in the larger cities but also in the rural areas. SUCAP's main objective is to keep its market share in Central America and compete with Wal-Mart.

According to the President of SUCAP, the alliance will allow these supermarkets to exchange and share their knowledge on software technology, to train their personnel, and to provide other market intelligence resources that will allow them reduce prices and transfer lower prices to their customers.

The members of SUCAP are: El Machetazo, Super 99, Mega Depot and Super El Rey from (Panamá); Perimercados, Super Compro, Jumbo and Automercados (Costa Rica), UniSuper /La Torre (Guatemala), La Colonia (Nicaragua), Super Selectos and Super Market (El Salvador) and La Colonia (Honduras).

Trends and Highlights

- Supermarkets are starting to look at markets in the interior of the country and expanding in that direction. Most of the units added in the last three years have been in the interior.
- Supermarket sales continue to grow and take sales away from wet markets and corner stores. Business people that live in residential areas outside the city limits have no option but to go to a supermarket close to their homes for smaller purchases during the week.
- The membership discount club and bulk purchase concept has gained acceptance among consumers, as many find wholesale clubs much more suited for one-stop shopping.
- During weekends, going to the supermarkets is becoming a family activity. Many new products are sampled during peak hours to motivate and attract consumers to purchase new brands.
- In the three major supermarkets in Guatemala, convenience and prepared foods are gaining ground as consumers try to reduce time spent preparing foods at home. Also, business people who do not want to spend money on fast-food restaurants for lunch look for prepared meals inside the supermarkets. A wide variety is found: from typical foods to roasted turkey. Most products are already cooked and served inside the supermarket.
- Overall, frozen prepared foods account for 10 percent of imported food sales. The

product variety is very small and few frozen vegetables are found.

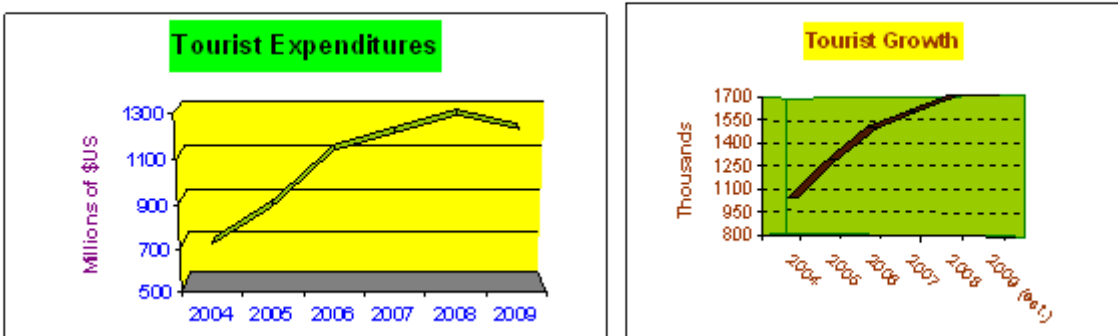
- There is a trend to eat healthy food low in calories and cholesterol. Most supermarkets have a diversity of dry, frozen and ready-to-eat products. Also, sugar-free products are expanding their shelf share and grow every year. These products include items such as candies, jams, cookies and crackers.
- Supermarkets offer a variety of services under the same roof from bill payment services, coffee and deli services to dry cleaning services.
- Wal-Mart stores offer to high-end consumers' on-line grocery sales and home delivery.

B. Hotel, Restaurant and Institutions

The Guatemalan Restaurant Council estimates that there are around 3,600 formal restaurants and approximately 4,900 informal restaurants. This industry has been growing over the past few years because many Guatemalans in the interior of the country and the urban areas eat breakfast and lunch outside their homes. Also, opening a restaurant is an option for Guatemalans to begin a family-owned business. This sector generates around 481,000 direct and indirect jobs and has an average annual growth between 12 to 14 percent.

The hotel sector has also increased. Guatemala now accounts for 2,497 lodging places of which 1,225 are hotels, and the rest are motel facilities. According to the Guatemalan Tourism Institute, executive tourism is the sector growing rapidly; a regular businessman spends twice as much as a regular tourist that comes on vacations, approximately US\$107 per day.

Tourism is also a key factor for this growth, since this sector has increased from 1.45 million visitors in 2004 to 1.7 million visitors in 2008. Last year, income from tourism totaled \$1.28 billion.



The tourism sector offers a good opportunity for high value products. There are many U.S. franchises that are in need of raw materials, and they can not always meet this demand with

local product. Besides, some of the franchise agreements require U.S. raw materials as part of the contract. The following is a list of franchises operating in Guatemala:

- | | | |
|---------------------|-----------------|-----------------|
| ○ Subway | Wendy's | Burger King |
| ○ Taco Bell | Cajun Grill | McDonald's |
| ○ Dominos | Pizza Pizza Hut | Shlotzsky's |
| ○ Applebees' | TGIF'S | Little Caesar's |
| ○ Chili's | Pizza Inn | Quizno's |
| ○ The Bagel Factory | Cinnabon | Ramada |
| ○ Radisson | Best Western | Holiday Inn |
| ○ Westin | | |

Institutional sales in Guatemala are probably the most difficult of all sales. The procurement process is very difficult and very bureaucratic. (Development of good contacts on the inside is still the best way to make the sale.) Also, the repayment delay is usually from 90 to 120 days and sometimes even longer. This market should be approached with the use of a distributor who is already supplying institutions and is very familiar with the process.

C. Food Processing

This is one of the fastest growing sectors in Guatemala, offering U.S. food exporters major opportunities to capture some market share by supplying raw materials. Most food processors import their ingredients directly, others rely on importers and distributors to get their raw materials, and others buy their inputs from the local market. The advantage that processors find in buying their raw materials from local suppliers is that more technical assistance is provided and also more options for financing are available to them.

The areas with the most growth potential for food processing industry are:

Deli meats: MDM; boneless picnic; pork bellies, trimmings and offals;
flours (fillers)

fruit concentrates and nectars; drink bases and syrups; soy flakes and soy powder; artificial fruit flavors

Baking: pancake mixes; pre-mixes; bulk cake flours

dehydrated potato flakes and powder; soy flakes; nuts; fresh potatoes; fruit fillings; raisins;
pork skin pellets; whey powder, protein concentrates

dehydrated potato flakes and powder; soy flakes; dehydrated vegetables; condiments

U.S. products such as beef, pork, wheat, soybeans, and vegetables, as well as other food items, can easily be introduced to improve the quality of the goods being processed in the above-mentioned sectors. Many of these plants already use U.S. raw materials. However, there are still plenty of opportunities. In 2008, the United States exported to Guatemala a total of \$250 million on intermediate agricultural products.

The processing industry is growing because:

- Local processors are increasing their capacity and quality to export to the U.S. as a result of the implementation of CAFTA-DR.
- As Central American consumers become more sophisticated, opportunities for higher value-added products increase.
- Many local companies are taking advantage of their lower cost to fill market niches normally filled by imported products.
- The food processing industry has ridden the supermarket expansion wave, and now is directing its attention to the export market.

IV. BEST PRODUCT PROSPECTS

The following is a list of product categories with the best export potential for U.S. suppliers.

Product Category	2008 Market Size (Metric Tons)	2008 Imports (U.S.\$ in thousands)	4-Yr. Avg. Annual Import Growth (%)	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for U.S. products
Red Meat, Fresh/Chilled/Frozen	11,137	18,838	19.99	Immediate duty-free access for "prime" and "choice" cuts. Other cuts phased-out over 15 years. Duties on other products,	Competition from Nicaragua, Costa Rica and Canada	Of the 13.5 million Guatemalans, one- half million are in a position to afford imported goods, and an additional 4 million can afford competitive U.S. food products.

				including offal's phased-out over 5-10 years.		<p>Guatemalans view U.S. products as of higher quality and safer than local products.</p> <p>The GOG maintains an open trading policy (first country to open market for U.S. poultry and live animals for beef and milk production)</p>
Snack Foods	28,538	11,579	13.72	All snacks are tariff free.	Competition from Mexico, Costa Rica and El Salvador	
Poultry Meat	58,854	59,528	6.04	All Central American tariffs on poultry and poultry products will be eliminated within 18 years. Chicken leg quarters are at 0% within quota.	Competition from: local production, Central American countries and Panama	
Fresh Fruit	82,498	16,893	15.96	Almost all U.S. fresh fruits are tariff free, except for oranges (10 yrs)	Competition from: Chile, Honduras, Ecuador and Mexico	
Processed Fruit & Vegetables	41,624	22,453	15.70	All U.S. vegetables are tariff free, except the following: Frozen Vegetables (10 yrs); Mixed Vegetables (5 yrs).	Competition from: Chile and Canada	
Breakfast cereals/pancake mix	17,391	4,220	18.09	All breakfast cereals and pancake mixes are tariff free	Competition from: El Salvador and Mexico	

V. POST INFORMATION

If you need assistance exporting to Guatemala, please contact the U.S. Agricultural Affairs Office at the following address:

Office of Agricultural Affairs

Avenida Reforma 7-01, Zona 10
Guatemala, Ciudad 01010
Tel: (502) 2332-4030
Fax: (502) 2331-8293
Email: AgGuatemala@fas.usda.gov

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service home page: <http://www.fas.usda.gov>

VI. LIST OF MAJOR REGULATORY AGENCIES

Name: Licda. Gladys Arreola
Title: Jefe
Institution: Departamento de Regulación y Control de Alimentos
Address: 3 Calle final, 2-10 Zona 15. Valles de Vista Hermosa. Guatemala
Telefax: (502) 2369-8784 / 6

Name: Lic. Mario López
Title: Director
Institution: Unidad de Normas y Regulaciones/Ministerio de Agricultura
Address: 7 Avenida 3-67 Zona 13, Guatemala City, Guatemala
Telephone: (502) 2475-3058
Fax: (502) 2475-3058

Name: Dr. Anibal Menéndez
Title: Director OIRSA-SEPA-SITC
Institution: Organismo Internacional Regional de Sanidad Agropecuaria
Address: 21 Avenida 3-12, Zona 15, Guatemala
Telephone: (502) 2369-5900
Fax: (502) 2334-0646

Name: Ing. Mario Aldana
Title: Minister
Institution: Ministry of Agriculture, Livestock and Food
Address: 7 Avenida 3-67 Zona 13, Guatemala
Telephone: (502) 2413-7000
Fax: (502) 2413-7002

Name: Lic. Alejandro Cutz
Title: CAFTA-DR Administrator
Foreign Commerce Administration Direction (From the Ministry of Economy)

Address: 6 Avenida 10-43 Zona 1, Guatemala
 Telephone: (502) 2412-0200

APPENDIXES

APPENDIX I STATISTICS

Table A. Key Trade and Demographic Information 2008

Agricultural Imports from all countries (millions) / U.S. Market Share (%)	1,995 / (48)
Consumer Oriented Agricultural Imports from all countries (millions) / U.S. Market Share %	818 / (23)
Edible Fishery Imports from all countries (millions) / U.S. Market Share (%)	31/ (20)
Total Population (millions) / annual growth rate (%)	13.5 / (2.0)
Urban Population (millions) / annual growth rate (%)	3 / (3.5)
Number of metropolitan areas	38/1
Per Capita Gross Domestic Product (U.S. Dollars)	2,845
Real GDP growth (%)	6.3
Unemployment rate (%)	3.2
Per Capita Food Expenditures (U.S. Dollars)	382
Percent of Female Population Employed	34.6
Exchange Rate (US\$1 = X.X local currency)	Q8.32

1/ These are cities with more than 100,000 inhabitants

Source: Ministry of Economy
 National Statistics Office
 Central Bank of Guatemala

Table B. Consumer Food & Edible Fishery Product Import

Guatemala Imports	Imports from the world			Imports from the U.S.			U.S. Market Share		
	Millions of 2006	\$US 2007	2008	Millions of 2006	U.S. 2007	2008	Percent 2006	2007	2008
CONSUMER-ORIENTED									
AGRICULTURAL TOTAL	652	773	818	155	182	190	23%	23%	23%
Snack foods (excl. nuts)	63	71	76	7	8	9	11	12	12
Breakfast cereals & pancake mix	39	40	40	3	3	3	9	8	8
Red meats, fresh/chilled/frozen	23	27	28	10	14	15	43	52	54
Red meats, prepared/preserved	14	18	22	7	10	10	50	56	45
Poultry meat	33	42	39	27	38	31	83	91	80

Dairy products (excl. cheese)	85	99	108	10	7	8	12	7	8
Cheese	20	22	24	2	3	6	10	16	25
Eggs & products	4	4	1	1	1	0	43	32	34
Fresh fruit	32	42	38	16	20	19	50	47	51
Fresh vegetables	4	5	5	0	0	1	11	11	19
Processed fruit & vegetables	46	59	67	20	20	28	42	33	42
Fruit & vegetable juices	24	26	30	6	8	10	28	31	34
Tree nuts	1	1	2	0	0	1	69	64	57
Wine & beer	8	10	10	0	0	0	4	5	6
Nursery products & cut flowers	2	2	2	0	0	0	14	14	23
Pet foods (dog & cat)	8	9	11	4	4	6	50	49	50
Other consumer-oriented	239	289	311	34	37	40	14	12	13
FISH & SEAFOOD PRODUCTS	32	38	30	4	5	6	14	14	20
Salmon	0	0	0	0	0	0	42	26	44
Surimi	0	0	0	0	0	0	78	14	100
Crustaceans	4	5	7	2	2	3	52	48	41
Groundfish & flatfish	0	1	1	0	1	1	66	75	85
Molluscs	1	1	1	0	0	0	56	61	56
Other fishery products	25	29	19	0	0	0	2	2	3
AG PRODUCTS TOTAL	1,341	1,664	2,995	614	764	957	45	45	48
AG FISH & FOREST TOTAL	1,411	1,752	2,075	627	968	777	44	44	47

Table C. Top 15 Exporters of Consumer-Ready and Edible Fisheries

Consumer-Oriented Total (Thousands \$US)				Edible Fishery (Thousands \$US)			
	2006	2007	2008		2006	2007	2008
United States	155,935	182,437	190,903	United States	4,792	5,529	6,200
El Salvador	118,797	120,695	138,221	Costa Rica	3,944	4,324	4,674
Costa Rica	91,608	109,951	119,119	Ecuador	3,032	799	3,990
Mexico	85,558	104,041	116,174	Thailand	3,233	3,280	3,283
Nicaragua	26,643	43,685	48,955	Nicaragua	797	1,126	3,273
Chile	31,994	35,676	36,590	Panama	10,842	7,137	2,575
Honduras	27,530	30,638	30,345	Spain	823	155	1,302
Australia	13,929	16,646	21,810	Venezuela	3,035	5,777	1,248
New Zealand	24,965	24,162	17,462	Honduras	826	903	930
Panama	8,983	6,168	17,016	Colombia	481	496	802
Netherlands	15,312	21,599	12,692	Vietnam	81	136	588
Brazil	6,260	7,354	8,177	El Salvador	520	613	547
China	5,320	6,790	8,159	Mexico	48,700	7,403	439
Spain	5,010	8,442	8,085	India	0	95	153
Germany	2,660	4,525	7,403	Taiwan	0	72	150
World	652,022	773,255	818,390	World	32,949	38,163	30,516

Source: World Trade Atlas